

Memo



To: EERMC
From: Mike Guerard & C-Team members
CC: Becca Trietch
Date: September 19, 2019
Subject: 2020 Annual Plan – Summary on Budget issues

CONSULTANT TEAM

2020 Annual Plan Budget

The following is the listing of on-going processes and still un-addressed issues and concerns raised by the C-Team, OER, the Division and other key stakeholders regarding the proposed budget for the 2020 EE draft Plan. Before the C-Team is prepared to provide a final review and comment on the 2020 EE draft Plan budget, these items will need to be addressed:

C-Team:

- Benefit Cost Model analysis of costs
 - A few items are still being reviewed based on replies from the Company to the C-Team's input on the 2nd draft of the Benefit-Cost (BC) Model, and we anticipate changes should be made in the 3rd draft, or ensuing final draft
 - A final review, and exchanges of info, on the 3rd draft of the BC Model due to be delivered September 20 still has to be conducted. This will require timely delivery of the model by the Company and then quick responses to any issues raised.
- Review of final language and data relating to the RI Infrastructure Bank funding request for the Efficient Building Fund, including consideration of moving unused On-Bill Repayment funding.
- Review of the Bill Impact attachment when it is provided by the Company

Stakeholders:

1. TEC-RI

2nd draft comments Submitted to Grid on 9/9

Statements:

- "It appears in Electric Table E-7 that despite the increase in funding, the goal for Annual Summer Demand Savings drops by 678 kW and the Annual Energy Savings also drops by 18,336 MWh. We find this drop in Performance expectations unacceptable and that it may portend an ineffective savings plan."
- "...we find it curious that there is not a program to begin to educate Rhode Island Commercial and Industrial users on how to implement "Zero Energy" and/or "Zero Carbon" manufacturing. If we are meet the Legislatures goals in energy and carbon reduction, we need to start the education process early."
- "Finally, The Energy Council of Rhode Island cannot support the increase in the Energy Efficiency Charge. There appear to be opportunities to make better usage of these funds which come at

great expense to the Commercial and Industrial ratepayers. This plan currently assesses these rate payers \$47,745,885 plus the customer's contribution should they want to participate in any of the rate payer funded programs. We need better justification as to how these funds allow Commercial and Industrial users to be more competitive in the National and Global markets in which they make their livelihood and that of their many employees."

Questions:

- The Rhode Island test serves as a reasonable "go/no go" test for these projects but does not measure the efficiency of the program implementation. Given this observation and the fact that this is not subject to any bid process, we would like to see an organization chart showing the organizational hierarchy and the man/year equivalents which were budgeted for these expenses. Additionally, we would also like to see a breakdown of what portion of these expenses were outsourced to a third-party vendor and those that remained with National Grid.
- We also have not seen definitive studies in Rhode Island that prove that our rates are in fact lower because of Energy Efficiency programs and would very much like to be corrected on this question.
- There appear to be opportunities to make better usage of these funds which come at great expense to the Commercial and Industrial ratepayers. This plan currently assesses these rate payers \$47,745,885 plus the customer's contribution should they want to participate in any of the rate payer funded programs. We need better justification as to how these funds allow Commercial and Industrial users to be more competitive in the National and Global markets in which they make their livelihood and that of their many employees.

2. Division of Public Utilities & Carriers *Submitted on 8/10 and re-submitted on 9/6 and 9/12*

Division Statement:

"The Division issued these questions because it is concerned that the proposed budgets may not reflect the disciplined bottom-up budgeting expected of regulated utilities and may therefore allow the Company to reach its savings targets at a cost to ratepayers higher than necessary."

Division Questions:

- Please explain the process used by the Company to arrive at the proposed 2020 program budgets, as shown in Attachment 5, page 2 of 12, and Attachment 6, page 2 of 11, of the draft tables provided on July 16, 2019.
- For each of the 2020 electric and gas programs shown in Attachment 5, page 2 of 12, and Attachment 6, page 2 of 11, of the draft tables provided on July 16, 2019, please provide appropriate "cost-of-service" type schedules with the forecasted cost estimates used to build up the proposed 2020 budget, in the following form:
 - (a) Schedules for each of the programs, identifying the cost components, including the following:
 - (i) Program Planning and Administration costs;

- (ii) Marketing costs;
- (iii) Rebates and Other Customer Incentives;
- (iv) Sales, Technical Assistance and Training costs;
- (v) Evaluation & Market Research costs; and
- (vi) Any other costs not included above.

(b) For each of the categories in (a) above, please break down the costs into the following subcategories:

- (i) Allocated and direct employee-related costs, showing totals for each (including service company and Narragansett Electric employee costs stated separately);
- (ii) Any other non-employee related costs that are allocated to the program;
- (iii) Rebate payments to customers, if any;
- (iv) Vendor costs, if any (broken down by each anticipated vendor) (NOTE: Identification of vendors may be omitted in the schedule, provided that a confidential schedule is provided to the Division that allows the Division to identify the vendors by cross-referencing to the confidential list); and
- (v) Any other costs not identified above.

- For each of the proposed electric and gas 2020 programs shown in Attachment 5, page 4 of 12, and Attachment 6, page 4 of 11, of the draft tables provided on July 16, 2019, please explain the reasons for the changes in budgeted amounts by program, compared to the 2019 budget.
- Referring to the presentation dated July 26, 2019, page 19, please provide the following:
 - An explanation of the basis for the projected negative EE electric fund balance of \$10 million, including any supporting schedules showing the calculation and forecasted changes; and
 - An explanation of the basis for the projected \$7 million electric overspend forecast by program, including any supporting schedules showing the calculation and forecasted increase. (1-6)
- Referring to the presentation dated July 26, 2019, page 19, please provide:
 - A schedule showing the details of the original forecasted calculation of FCM payments,
 - An explanation of the basis for the forecast of FCM payments that was budgeted, and
 - A schedule showing the details of the current forecast of a \$6 million shortfall, and
 - An explanation why the forecast resulted in it being off by \$6 million.
- Referring to the presentation dated July 26, 2019, page 21, please provide the following:
 - An explanation of the basis for the projected negative gas EE fund balance of \$11 million, including any supporting schedules showing the calculation and forecasted; and
 - An explanation of the basis for the projected \$3 million gas overspend forecast by program, including any supporting schedules showing the calculation and forecasted increase.
- (1-8) Please provide the cost per kilowatt-hour of savings achieved in 2018 by the Company's electric and gas affiliates by sector in the energy efficiency programs in Massachusetts, comparing the cost per kilowatt-hour of savings achieved by the Narragansett Electric for the same year.

- (1-9) Based on the responses to these questions, the Division anticipates asking the Company additional questions at a later date to compare the Company's current proposal with the 2018 year end program reports.
- Referring to the Company's 2018 Energy Efficiency Year-End Report, filed with the Commission on May 15, 2019, in Docket 4755, Tables E-1 and G-1 (Summary of 2018 Target and Year End Results), please provide the following:
 - Appropriate "cost-of-service" type schedules for each of the programs shown on Tables E-1 and G-1, identifying the cost components from which the final "Actual" costs shown in columns 11 and 8, respectively, were derived, including the following:
 - Program Planning and Administration costs;
 - Marketing costs;
 - Rebates and Other Customer Incentives;
 - Sales, Technical Assistance and Training costs;
 - Evaluation & Market Research costs; and
 - Any other costs not included above.
 - For each of the categories in (a) above, please also break down the costs into the following subcategories:
 - Allocated and direct employee-related costs, showing totals for each (including service company and Narragansett Electric employee costs stated separately);
 - Any other non-employee related costs that are allocated to the program;
 - Rebate payments to customers, if any;
 - Vendor costs, if any (broken down by each anticipated vendor) (NOTE: Identification of vendors may be omitted in the schedule, provided that a confidential schedule is provided to the Division that allows the Division to identify the vendors by cross-referencing to the confidential list); and
 - Any other costs not identified above.